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THE METROPOLITAN ECONOMY OF NEW YORK: DISTRIBUTION OF ECONOMIC ACTIVITY AND THE GOVERNMENTAL SYSTEM

by

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with the assistance of
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This paper surveys the current pattern of growth of the New York City economy and the present pattern of economic decentralization within the New York metropolitan region. Then it assesses what these patterns mean to the City's fiscal position. We consider first the anatomy of growth in the city and region and turn then to its implications for the City's taxable capacity. Having generally characterized the tax base response to these growth patterns, we examine the adequacy of the City's fiscal and governmental system to cope with concurrent pressures for increased public policy alternatives to resolving, or partially resolving, the City's fiscal ills.

Growth and Decentralization

The data presented in Tables 1 and 2 describe changes in employment and payroll over the 1967-1970 period by major employment categories and subcategories. The data also depict differences in the patterns as between New York and its subrubs.[1]

All parts of the metropolitan economy grew in the 1964-1970 period. Total employment increased by roughly 398 thousand or 11 percent in the city, and by 278 thousand or 31 percent in the suburbs. However, this employment growth pattern was characterized by significant city-suburb differentials, both among and within the major employment categories.

In the city, construction and manufacturing categories declined significantly; together they accounted for a total job loss of 37,190 over the period. By contrast suburban employment in these categories increased by 41,178. However, the New York City job loss cannot so easily be coupled with suburban employment gains in order to imply decentralization of central city economic activity.

With regard to trends in construction activity, the City appears currently within the recovery segment of a cycle which peaked in 1962 and bottomed out during 1967. In fact, the number of construction jobs in the City increased by about 7 percent between 1967 and 1970. The suburbs enjoyed continuous employment growth in the construction industry throughout the decade.[2] Within the manufacturing sector, the pattern of change varied considerably among the major subsectors. The loss of 29,377 jobs in the apparel and other textile industries within the city, for example, far surpassed the suburban gain of 937 jobs. This trend indicated an interstate migration of jobs in this industry rather than metropolitan decentralization within New York.[3]

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[1] In this paper we define New York suburbs as Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester Counties.

[2] It appears, however, that the major gains in suburban construction employment took place between the years 1964 and 1967.

[3] This implication is reinforced by the fact that the Connecticut and New Jersey segment of the N.Y.-N.J. SMSA have experienced a general loss of jobs in the apparel and other textile industry category throughout the decade of the 1960's. As employment in this industry appears to be in the process of shifting out of the Northeast, the employment gain in New York State suburbs appears counter to what we might generally expect.

Table 1

Total Employment and Total Payroll Per Employee, 1970 and
Change in Total Employment and Total Payroll Per Employee, 1964-1970, New York City

Industry Sector	Number of Jobs 1970	Change: 1964-1970 Employment Change	Payroll per Employee Change (1st Quarter	Total Payroll Change - $1,000)
Growth				
Transportation and Public Utilities	354,592	+ 46,453	+ .567	+364,102
Air	51,966	+ 17,417	+ .944	+ 85,742
Communications	76,174	+ 48,682	+ .067	+118,316
Water	31,521	- 5,297	+ .484	+ 7,131
Adm. and Auxiliary	2,338	- 176	+ .689	+ 1,251
Wholesale Trade	317,102	+ 6,576	+ .634	+ 21,272
Adm. and Auxiliary	18,651	+ 1,136	+ .451	+ 10,888
Retail Trade	462,295	+ 27,907	+ .303	+169,063
General Merchandise	84,407	+ 9,168	+ .218	+ 27,270
Eating and Drinking	121,291	- 406	+ .225	+ 26,962
Adm. and Auxiliary	39,458	+ 12,319	+ .494	+ 39,211
Finance, Insruance and R.E.	458,066	+ 62,995	+ .634	+379,940
Banking	129,267	+ 37,645	+ .537	+129,027
Security-Commodity Brokers	95,198	+ 41,757	+ .794	+150,519
Real Estate	99,527	- 7,778	+ .369	+ 29,262
Insurance Carriers	87,794	- 9,115	+ .649	+ 43,413
Adm. and Auxiliary	1,106	+ 40	+ .722	+ 854
Services	793,758	+ 14,065	+ .581	+638,381
Miscellaneous Business	212,045	+ 55,417	+ .592	+203,168
Educational	73,329	+ 36,908	+ .402	+ 79,183
Non-Profit	81,885	+ 11,850	+ .501	+ 11,850
Adm. and Auxiliary	10,351	+ 5,127	+ .240	+ 854
Government*	547,100	98,800		
Federal	105,700	- 9,600		
State	38,100	108,400		
Decline				
Construction	17,128	- 14,351	+ .669	+ 49,541
Adm. and Auxiliary	1,445	- 310	+1.926	+ 2,052
Manufacturing	863,796	- 22,839	+ .560	+450,938
Apparel and Other Textiles	230,323	- 29,377	+ .412	+ 62,410
Printing and Publishing	120,955	- 1,316	+ .664	+ 78,094
Adm. and Auxiliary	122,578	+ 33,100	+ .901	+182,213
TOTAL EMPLOYMENT**	3,370,829	+299,486	+ .549	2,272,157

*Source: Government Figures; Bureau of Labor Statistics, 1964 and 1969
**Does not include the Government sector

Source: County Business Patterns, 1964 and 1970

Table 2

Total Employment and Total Payroll Per Employee, 1970, and Change in Total Employment and Total Payroll Per Employee, 1964-1970, Suburbs*

Industry Sector	Number of Jobs 1970	Change: 1964-1970 Employment Change	Payroll per Employee Change (1st quarter	Total Payroll Change - $1,000)
Growth				
Transportation and Public				
Utilities	58,689	14,456	.475	50,901
Communications	2,260	753	.507	2,180
Air	990	385	.830	1,435
Water	690	136	.541	568
Adm. and Auxiliary			.646	
Wholesale Trade	73,969	25,095	.752	97,875
Adm. and Auxiliary	1,107			
Retail Trade	229,038	60,799	.206	107,910
General Merchandise	48,926	15,674	.177	21,540
Eating and Drinking	42,101	10,615	.131	13,249
Adm. and Auxiliary	6,713	2,370	.221	4,837
Finance, Insurance and R.E.	56,685	13,499	.511	46,147
Banking	17,120	4,704	.555	15,312
Security & Commodity	1,423	815	.774	774
Real Estate	13,236	832	.459	6,888
Insurance Carriers	13,507	3,922	.369	11,558
Adm. and Auxiliary				
Services	210,435	69,426	.424	157,662
Miscellaneous Business	30,984	12,935	.951	42,753
Educational	22,756	8,593	.414	18,067
Non-Profit	18,722	6,634	.278	11,153
Adm. and Auxiliary				
Government**	192,000	51,600		
Federal	21,700			
State				
Local	171,100			
Construction	58,391	3,343	.654	
Adm. and Auxiliary				
Manufacturing	284,691	37,735	.491	206,521
Apparel and Other Textiles	21,576	937	.371	8,801
Printing and Publishing	23,044	4,298	.393	15,561
Adm. and Auxiliary	20,047	8,674	.646	32,832
TOTAL EMPLOYMENT***	991,407	227,295	.413	717,193

*Westchester, Nassau, Suffolk, Rockland, Orange, Putnam, Dutchess
**Source: Government Figures; Bureau of Labor Statistics, 1964 and 1969
***Does not include the Government sector

Source: County Business Patterns, 1964 and 1970

Alternatively, the growth of suburban employment in the printing and publishing sector (4,298) far exceeded the rather small decline of 1,316 jobs in the City.

Certainly the picture is not one of complete decline. Other major categories of employment grew both in the City and in the suburbs.

In the City, particularly, strong growth (relative to that in the suburbs) occurred in the transportation and public utilities category, in the non-administrative components of the banking and security subcategories, and in miscellaneous business and educational services subcategories of major employment. In addition, the government sector was a major source of employment growth in both the City and its suburbs. In the suburbs, the addition of 51,600 government jobs between 1964 and 1970 equalled 22.7 percent of all new jobs in the private sector. In the City, the addition of 98,800 jobs marked the government as the sector of greatest employment growth. Note that since federal government employment actually declined in the City during this period, all new government jobs in the City were the result of state and local government employment growth. In fact, the 108,400 new jobs in state and local government equalled 36.2 percent of all new private sector jobs in the City. As the population in the City increased by only 16,000 between 1964 and 1970, the state and local government sector would appear to have added six new employees for every one new resident.

Within the central city, the administration and auxiliary portion of the major employment sectors was another area of substantial growth.[4] Overall growth in administration and auxiliary employment accounted for 17.13 percent of all new private sector jobs. However, of the 51,296 new administration and auxiliary jobs in New York City, 33,100 were in the manufacturing categories. This compares with a suburban manufacturing administration and auxiliary job increase of 8,674. However, it appears that the large increases in manufacturing administration and auxiliary employment within the City cannot be attributed to growth in administrative office employment which increased only slightly, 1.9 percent, between 1964-1970.

While comparable data for all suburbs is not available, manufacturing administrative office employment for the counties of Nassau, Suffolk, Westchester and Rockland increased by 50.47 percent.[5] While these data are not conclusive, it would seem to imply that at least within the manufacturing sector, administrative employment has stabilized within the City while in the suburbs administrative employment is increasing rapidly.[6]

In general, the over-all employment situation of both the City and its suburbs appears strong. In the suburbs, employment increased in every major category. In the city, employment losses in the construction and manufacturing categories were offset by increases in other sectors, particularly state and local government, such that total New York City non-governmental employment increased by 9.8 percent during the years 1964-1970.

Clearly, then, recent history is characterized by continued growth of the City but in the context of more rapid growth rates in the suburbs; i.e., there is a relative decline of the City as an employment center in the metropolitan area.

In addition, it appears that the employment trends within the City--if they persist--will result in substantial change in the nature of activities in which the City specializes. Perhaps the most important change in this regard is a decreasing trend toward specialization of manufacturing central office employment in the City and the rapid growth of the state local government sector.

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[4]Central administration offices and auxiliary units such as warehouses, research laboratories and maintenance locations.

[5]Growth rates for administrative office employment in manufacture are computed from Some Facts Relating to the New York Scene, U.S. Department of Labor, Bureau of Labor Statistics, April, 1971, p. 7.

[6]Alternatively, employment in the auxiliary sector has grown rapidly in the City and somewhat more slowly in the suburbs.

Payrolls and Income

With regard to payrolls, the City and suburbs shared a common experience of increase both in total payrolls and payrolls per employee in all major employment categories. But we note a consistent City-suburban differential. In every major category, including those in which central city employment declined, the larger increases in per employee payrolls as well as in total payrolls took place within New York City. In sum, overall payrolls increased by $2,272 million or $549 per employee in the City and $7,172 million or $413 per employee in the suburbs. As with employment, then, both the City and suburbs appear to have benefited from a period of significant growth in total and per employee payrolls. However, unlike the employment increase, the larger increases in total payrolls (but, more importantly, in payrolls per employee) took place in the City. Over the same period city government taxes increased by 47.7 percent or for purposes of comparison with the above statistics, by $23 per employee.

Employment and payrolls give only part of the picture. They relate solely to job location, i.e., where incomes are earned. As such they tell us little, if anything, directly about the residential location of employees, i.e., the location to which earned incomes accrue. The difference between job location and workers' residences is a measure of worker commutation patterns. Given the nature of the New York City income tax, concern with city-suburban work place and residential location is important. The consideration of such questions, however, is hampered by a lack of labor force commutation data for the period. It is possible, nevertheless, to draw some inferences about commutation's effects from the limited data available. For the City and its suburbs Table 3 shows total wage and salary income by location where earned and by location of employee residence. Clearly, total wage and salary earned and received

Table 3

Wage and Salary Income by Location where Earned and by Residential Location of Worker
(millions of dollars)

	Income Produced		Income Received		Ratio of Income Received to Income Produced	
	1969	1965	1969	1965	1965	1969
New York City	31,515.4	23,593.9	23,800.4	17,913.0	.759	.755
Suburbs	9,240.0	6,282.1	14,513.4	10,180.7	1.621	1.571
Total City and Suburbs	40,755.4	29,876.0	38,313.8	28,213.7	.940	.936

Source: New York State Division of the Budget, Office of Statistic Coordination, New York Statistical Yearbook, 1967, Tables F-2, p. 61 and F-3, p.62; and New York Statistical Yearbook, 1970, Tables C-3, p. 93 and C-4, p. 94.

grew considerably in both the City and suburbs. But, the most interesting information appears in the last two columns of the Table, showing the 1965 and 1969 ratios of wages and salaries received by City and suburban and all area residents to wages and salaries paid in the City and its suburbs. Roughly, these data imply that about 25 percent of the wages and salaries paid by City employers accrue to non-City residents, while suburban residents receive payments which exceed by about 50 percent the total payments made by suburban employers. While the decrease in ratio between 1965 and 1969 may indicate the declining importance of the central city as a workplace, the large differences in the ratios (the suburban ratio is about twice as large as the City ratio) clearly indicate the nature of the metropolitan area as an interdependent labor market.

Moreover, it should be noted that the ratio of wage and salary payments received by residents to wages and salaries paid by employers for the City and its suburbs combined in 1969 was only slightly lower than its 1965 value. This being the case, it would seem that the gradual decline in the ratio for the suburbs cannot be attributed to an increasing dependence of suburban residents on out-of-state sources of wage and

salary income. Rather, it appears indicative of a trend toward growing suburban independence as a source of wage and salary income for suburban residents.

We can thus summarize the experience of New York City and its suburbs regarding employment and income during the period 1964-1970 in this way:

1. In terms of both employees and payrolls, both the City and its suburbs experienced substantial growth from 1964 to 1970.
2. The loss of New York City manufacturing employment, insofar as it has not been supplemented by an equal increase in suburban manufacturing employment, appears to show a general decline in manufacturing employment for the region as a whole.
3. The relatively more rapid rate of employment growth in the suburbs, 31 percent as compared to 11 percent in the City, indicates a declining city share of total employment in the region.
4. In terms of total payrolls and payrolls per employee, the City appears to have fared well relative to the suburbs, though such a conclusion should be tempered by consideration of changes in community patterns.
5. A substantial proportion (25 percent) of wages and salaries earned in the City accrue to non-City residents, suggesting a decentralization (suburbanization) of the residential location of City employees.
6. The gradual decline in the proportion of suburban income earned in the City would seem to indicate a reduction in the dependency of suburban residents on the City as an employment source.

Fiscal Capacity Implications

The implications of economic decentralization for the City's ability to meet rising expenditure needs from its own resources are all too obvious. Tax revenues from the City's own taxes can grow only if tax rates are increased or if the tax base expands.

Consider first the alternative or rate increases. It might be argued that substantial tax rate increases are not desirable on equity grounds because of 1) possible deleterious effects on the quantity and quality of housing, and 2) possible discouraging effects of higher taxes on the location of economic activity within the metropolitan region. Moreover, there is some indication that the local tax share of personal income is already relatively high in New York City. Dick Netzer reports that local taxes comprised 7.8 percent of New York City personal income in 1965-1966 as compared with 4.9 percent (Chicago), 6.1 percent (Los Angeles), 4.7 percent (Philadelphia), and 4.6 percent (Detroit). When state government taxes are added, the New York City figure appears even higher; the ratio rises to 15.6 percent in New York City, 10.7 percent in Chicago, 15.5 percent in Los Angeles, 11.7 percent in Philadelphia, and 13.3 percent in Detroit. (1970; p. 669) This evidence of high tax effort is certainly inconclusive since it does not take account of the possibility that city taxes are exported (i.e., paid by non-residents) from the City or even the region. Nevertheless, the magnitude of these intercity differences does suggest that the tax burden on City residents is relatively high.

If these observations, for whatever reason, suggest that substantial increases in tax rates on city residents would be ill-advised, it follows that future City government tax revenue growth will be tied closely to growth in the tax base. Then, it seems worthwhile here to examine, in very general terms, the City government's tax base, and to suggest what future growth might be expected.

Note first that of the approximately $3,586 million of City general revenues from its own sources in 1969-1970, 51.5 percent was property tax revenue, 18.3 percent was in sales tax revenues, 13.1 percent in local income taxes, and all other local taxes and user charges account for the remaining 17.1 percent. This suggests that one might get a crude indication of how the City's taxable bases responded to recent changes in the City employment structure by examining income, sales, and taxable property value data. In general these data show that the absolute position of the City has not deteriorated. On the contrary, its capacity to raise revenue rose during the 1964-1970 period.

Table 4a

Selected Tax Base Indicators: Personal Income

	New York City			Suburbs		
Years	Amount $ millions	% Increase	Per Capita Amount $	Amount $ millions	% Increase	Per Capita Amount $
1970						
1969	38,020	7.7	4.68	21,043	9.1	5.13
1968	35,297	9.0	4.34	19,296	10.5	4.78
1967	32,390	7.1	4.02	17,457	9.0	4.39
1966	30,246	5.9	3.80	16,012	8.4	4.09
1965	28,570	5.1	3.64	14,768	6.8	3.88
1964	27,174		3.49	13,829		3.70

Source: New York State Statistical Yearbook, 1970 and 1971.

Table 4b

Selected Tax Base Indicators: Retail Sales

	New York City				Suburbs			
Years	Amount $ millions	% Increase	% of Personal Income	Per Capita Amount $	Amount $ millions	% Increase	% of Personal Income	Per Capita Amount $
1970								
1969								
1968	12,758	4.2	36.1	1.57	9,345	14.4	48.4	2.31
1967	12,243	0.5	37.8	1.62	8,167	8.6	46.8	2.05
1966	12,182	5.3	40.3	1.53	7,519	9.3	47.0	1.92
1965	11,574	4.0	40.5	1.47	6,878	9.9	46.6	1.80
1964	11,124		40.9	1.43	6,261		45.3	1.67

Source: New York State Statistical Yearbook, 1970 and 1971; Sales Management, 1963-1969.

Table 4c

Selected Tax Base Indicators: Taxable Property Values

	New York City				Suburbs			
Years	Amount $ millions	% Increase	% of Personal Income	Per Capita Amount $	Amount $ millions	% Increase	% of Personal Income	Per Capita Amount $
1970	34,292	3.0		4.39	10,074	5.5		2.43
1969	33,305	2.5	87.6	4.10	9,553	4.9	45.4	2.33
1968	32,486	2.4	92.0	3.99	9,109	3.4	47.2	2.25
1967	31,735	2.7	98.0	3.94	8,812	4.6	50.5	2.21
1966	30,902	3.9	102.2	3.88	8,425		52.6	2.15
1965	29,753	4.2	104.2	3.79				
1964	28,557		105.1	3.67				

Source: New York State Statistical Yearbook, 1970 and 1971.

Personal income (probably the most encompassing measure of fiscal capacity) showed an average annual increase of $239 per captia, or, in total, an increase of 6.8 percent per year over the 1964-1969 period. Of course, no City income tax is levied on total personal income; taxable personal income is a considerably smaller amount than total personal income. However, increasing personal income may suggest increases in the base of the City's income tax, increases in consumption, and perhaps property value increments. The fact that per employee payrolls also rose would seem to give credence to the argument that the city income tax base has increased. However, to the extent these payroll increases reflect the higher wage-salary rates for commuters, the differentially lower non-resident rate mitigates against revenue increases.

Because of the heavy importance of the property tax (half of the City's own receipts), the response of the property tax base to changes in the economic base is probably the most important element of fiscal response to be dealt with. Taxable property values rose by an average annual rate of 3.4 percent and by an average annual amount of $117 per capita over the 1964-1970 period. Therefore, while it did increase, the property tax base lagged behind the income growth, i.e., taxable property value as a percent of personal income has fallen.

A third general indicator, retail sales, has shown absolute increases both in total and per capita terms. However, it should be cautioned that retail sales are not the base for consumption taxes--and the structure as well as the level of taxation should be considered. Finally, note that over the 1964-1970 period, retail sales have continued to decline as a fraction of personal income. The data suggest a continued leakage of taxable sales from the City area; City government sales tax revenue declined by 32.7 percent over the 1964-1970 period.

If attention is turned from the growth in these indicators of the City tax base to the growth of these indicators in the region, the City's share is apparently declining. That is, while the city is growing in the absolute, its share of income, total retail sales, total payroll, and total employment is not.

The implications of this growth pattern for public sector balance are to be found on the expenditure demand side. To argue that absolute increases in the City's taxable capacity are inadequate requires the further argument that expenditure requirements are rising at a proportionately greater rate. Similarly, if the City's declining share in the resource base of the region creates an increasing city-suburb fiscal disparity, the cause must lie in expenditure pressures more severe in the City than in the suburb. We turn now to the expenditure demand issue.

Fiscal Adequacy Implications

Several factors tend to force up the rate of public expenditure growth. The question at hand is whether these operate in such a way that the growth in expenditure requirements on the New York City government exceeds the growth in available resources, that is, the sum of the natural revenue growth and the amount of external assistance.

The first such influence is the price level. While it is difficult to construct a price index for City government purchases, one can get an idea of the order of magnitude of this effort by noting that the consumer price index rose by 19 percent between 1967 and 1970. A second upward pressure on expenditures arises out of changes in the composition of the population.

As may be noted from Table 5, the age distribution of the City's population changed markedly between 1960 and 1970, with absolute declines in the 25-65 age group, and absolute increases in the school age and elderly age groups. It might be argued that the school age and the elderly share a characteristic of being relatively "high public cost" populations who make a contribution to the City's tax base which is less than proportionate to the tax which they pay.

Again using absolute figures, it may be shown that primary and secondary school enrollment has risen slowly over the 1964-1969 period (see Table 6).

Table 5

Population Change by Age Group: 1960-1970

	New York City			Suburbs*		
	1960	1970	Percentage Change 1960-1970	1960	1970	Percentage Change 1960-1970
Under 5	686,975	614,831	-10.50	747,626	666,712	-10.82
5 - 14	1,171,432	1,376,400	+ 8.45	1,343,876	1,831,953	+27.95
15 - 19	488,323	479,938	+22.85	439,293	559,161	+59.11
20 - 24	481,503	648,328	+34.65	320,548	547,266	+70.73
25 - 44	2,128,595	1,982,117	- 6.98	2,019,328	2,044,429	+ 1.24
45 - 64	2,022,587	1,822,934	- 9.87	1,528,878	1,875,222	+22.65
65 & over	803,899	943,212	+17.33	577,896	671,569	+16.21

*Nassau, Rockland, Suffolk, Westchester, Bergen, Essex, Hudson, Middlesex, Morris, Passaic, Somerset, Union

Source: U.S. Bureau of the Census, U.S. Census of Population, Vol. I, "Characteristics of the Population for New York and New Jersey, 1960; U.S. Bureau of the Census, Census of Population, "General Population Characteristics," Advance Report for New York and New Jersey, 1970, PC(V2) - 34 and PC(V2) - 32.

Table 6

Welfare Recipients and Public School Enrollments, 1964-1969

	Welfare Recipients in New York City, 1964-69				School Enrollment[3] in New York City	
	Total Recipients		ADC[2]			
Year	Number (thousands)	% Change Over Year	Number (thousands)	% Change Over Year	Number	% Change Over Year
1964	446.6	--	280.8	--	1,045,554	--
1965	503.8	12.8	321.7	14.6	1,054,201	0.8
1966	566.6	12.5	377.5	17.3	1,060,054	0.7
1967	707.6	24.9	472.5	24.2	1,077,845	1.7
1968	889.3	25.7	596.1	26.2	1,100,222	2.1
1969	993.8	22.4	672.7	24.4	1,116,711	1.5

[1]Inculdes recipients of Medical Assistance
[2]Excludes TADC
[3]Public elementary and secondary schools

Source: Derived from New York City Department of Social Services as quoted in Bureau of Labor Statistics, "Some Perspectives on New York City in the Seventies," June 1970, p. 15.
Source: Annual Educational Summary, 1968-1969, State Education Department Information Center on Education, p. 11.

Change in the proportion of the population at or below the poverty level exerts a similar pressure on expenditures. Though measures of poverty are difficult to derive and to substantiate, there are indicators that the concentration of people of low-income in the City has increased, e.g., the total number of welfare recipients has more than doubled over the 1964-1969 period (see Table 6).

A third kind of pressure on public expenditure comes from the input side in the form of a demand for higher wages and salaries. The breakdown of New York City expenditures increase over the 1957-1967 period, presented in Table 7, suggests that such wage pressures are a major component of the City's expenditure increase. That is, over the 1957-1967 period, increases in average salaries paid accounted for about

one-third of all expenditure increases. Expansions in total employment account for a far smaller proportion; this seems to indicate that service levels have risen by a much smaller percentage than have wage levels.

Table 7

Sources of Increase in Public Expenditure, New York City, 1957-67

Type of Expenditure	1957-67	1957-62	1962-67
Personal Services:			
Increase in Number of Employees	12%	14%	14%
Increase in Average Salary Paid	33	37	29
Cash Public Assistance Payments	11	5	13
Employee Retirement Contributions	7	7	7
Other Current Operating Expenses	27	26	27
Debt Service	10	11	10
Total	100%	100%	100%

Source: Derived from publications of the U.S. Census Bureau, Governments Division, especially the Census of Governments conducted in 1957, 1962, and 1967 as reported in Dick Netzer, "The Budget: Trends and Prospects," Agenda for a City, Lyle C. Fitch and Ann Marie Hauck Walsh (eds.). (Beverly Hills, Calif.: Sage Publications, 1970.)

Fourth, expenditures may be bid up by increases in the quality of services. New York City has traditionally offered a range of services which probably exceeds that offered in most American cities. In terms of absolute quality of services, measurement problems prohibit our arguing either increase or decrease. However, workloads for some services have increased markedly, suggesting a possible deterioration in service levels.

Finally, an upward pressure on expenditures may be exerted by factors which do, or will, reflect past commitments. As Table 7 shows, debt service and employee retirement contributions are a significant element of expenditure increase.

In general, these pressures have resulted in both total City government expenditures financed from the City's own sources growing faster than personal income, retail sales, or taxable property values. If an increase in the quality of public services cannot be argued, it might be concluded that the absolute rise in the City's taxable capacity was disproportionately smaller than the increase in public service demand.

Remedial Public Policy

Consider now the financing options available to relieve fiscal pressure on the City, that is, those revenue and expenditure factors which are controllable by the City government. In the face of a continuing decentralization trend within the New York metropolitan region, improvements in the existing tax structure or in financial administration seem likely to make only a marginal contribution to improving the fiscal position. If remedial policy is to be concentrated on the revenue side, a more plausible approach to resolving the City's fiscal problems lies in rearrangements of governmental financial responsibility for functions, or in the use of regional tax bases. In the case of the former, relieving the City government of all financial responsibility for welfare would free a substantial amount of revenues for other uses. If we assume that, of New York's $1.6 billion in welfare expenditures, 27.9 percent is financed with local resources (the state-wide average), transfer of all financial responsibility for welfare to the federal level or federal and state level would free about $465 million for other purposes. If this amount is viewed as a possible reduction in local taxes, the local tax percent of personal income falls from 9.4 percent to 8.2 percent, based on 1969-1970 data.

On the expenditure side, there would seem to be two areas where pressures for higher expenditure might be relieved. One is in the area of public sector wage, salary and fringe benefits; the other involves re-examining the scope and quality of public services presently offered by the City. Remedial actions on the expenditure side such as these have not been studied thoroughly, so we will devote little more attention to them here except to note their genuine potential. The other major pressures on City expenditures--price increases and concentrations of high-cost population--are beyond the control of the City government in the short-run.

In addition to or in place of direct fiscal measures, whether on the revenue or expenditure side, structural changes offer opportunities for attacking the fiscal and other ills which beset New York and the country's other major metropolitan areas. The long-standing traditional reform suggestion is to create a regional or metropolitan-wide jurisdiction which would recongize the inequitably distributed economic and social interdependence of the region. Further, such a regional jurisdiction would provide access to the region's entire tax base for those areas within the region possessing the greatest public service needs; i.e., portions of the central city and low-income suburbs. Finally, a regional system would permit region-wide planning and the control of those problems which are truly area-wide in impact: transportation, control of air and water pollution, sewage services, and those other services which possess regional characteristics.

In 1899 New York State established a metropolitan government for the New York State portion of the New York metropolitan area. As population and economic activities crossed this boundary, creating a new suburban ring outside the city, the 1899 boundary remained firm except for the establishment of regional agencies for specific functions, primarily in the field of transportation.

Meanwhile, within the City government, there has been a gradual evolutionary movement in the direction of increasing centralization, primarily at the expense of the boroughs, with the chief beneficiary being the office of the Mayor.

Only in recent years has this centralization tendency been seriously challenged except for the expected obstruction to change offered by those politicians and office-holders with a stake in the status quo. The new challenge comes from a different source: neighborhood people demand more influence and say over the central decision-making apparatus of the City. Many see this thrust for neighborhood control which is occurring in most cities as the counterpart to the resistance of suburban villagers to maintain their present limited autonomy.

These demands for adopting (in the case of the cities) or retaining (in the case of the suburban communities) local control often include criticism of the adoption at the turn of the century of the metropolitan structure of New York. Those today who champion an extension of the metropolitan concept often thrust the New York City metropolitan experience into the argument as proof of the bankruptcy of the "metro" idea.

More reasonable is the argument that "New York metro" has experienced problems because on the one hand it has ceased being metropolitan, and on the other its creation destroyed the smaller, more viable communities within the boroughs. Complete restructuring of the New York system on the two-tier model has been proposed by the CED in its policy statement, Reshaping Government in Metropolitan Areas. The CED proposal provides a system that on the region-wide basis would recognize facts of fiscal disparities and technological imparities, and calls for regionalization of certain services while simultaneously recreating communities within the City. A system of this sort would overcome functional and jurisdictional fragmentation and provide access to the entire region's tax base for those needs which are concentrated in the disadvantaged areas of the region.

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REFERENCE

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